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CESSNA SUSPENDS ALL PISTON-POWERED AIRCRAFT PRODUCTION

Cessna Aircraft suspended production last week of the last five piston-powered aircraft models it had been building and said production of those models will not resume before October of 1987. Citing soaring product liability costs and little market demand, Cessna said it will lay off about 900 salaried and non-salaried workers by the end of July. Models affected are the 172, 182, 206, 210 and 402. Cessna will continue building the Citation S/II and Citation III business jets, the Caravan I and II utility turboprops and the Model 441 Conquest turboprop. The Model 425 turboprop is not currently in production, but Cessna does plan to build more of those when current inventory is brought down.

"This is the sixth consecutive year of severely depressed piston sales," said Cessna Chairman Russ Meyer "and we cannot continue to sustain the financial losses which result from such low production rates." He said that because of increased flight activity, substantially fewer aircraft in inventory, lower interest rates and decreasing fuel costs, "we had expected the market to begin to recover this year. However, that recovery has not materialized." Meyer said the cost of product liability insurance—"the largest single component by far in the cost of a piston aircraft"—was one major factor in the production suspension decision.

Through April Cessna had delivered 153 aircraft and reported aircraft revenues of just over $51 million. Meyer had indicated earlier that the company's revenues this year would be $600-$650 million. Brian Barents, senior vice president-marketing, told BA that figure would have been attainable despite extremely low sales in the first four months because of an expected upturn in sales of turbine-powered models later this year. As a result of the decision to suspend piston production, the 1986 sales figures "will be adjusted downward," Barents said, but he would not estimate what sales for the year will be.

Barents agreed that product liability costs were the major reason for the decision, but said the lack of market demand for new aircraft also was a factor. "Piston activity is quite low," Barents said, adding that "we're being hurt by the used aircraft marketplace," which he indicated is satisfying most of the demand for aircraft. Cessna currently has less than a 60-day supply of piston models on hand, not counting inventory in the hands of dealers and distributors. That is a relatively low level of inventory by historical standards, but is not low considering current market conditions, Barents said.

Meyer said the decision to suspend piston production "does not change Cessna's commitment to a full line of general aviation aircraft." Barents said Cessna will actively support the existing piston fleet and its distribution organization by continuing to provide parts, technical information and service support. Regarding a resumption of production of piston-powered models, Barents said, "when demand gets to the point where it's economically feasible to produce them, we're going to be there."

STARSHIP TO BE CERTIFICATED TO STANDARDS NOT YET ADOPTED

Beech Aircraft Corp., which announced a week ago that certification of its all-composite pusher prop Starship aircraft will slip at least a year (BA, May 26/162), plans to certificate the plane to new standards that have not yet been adopted by the Federal Aviation Administration. Although the nine-to-10-place Starship is designed for business/corporate aviation operators, the company now plans to certificate it under standards designed for commuter category airplanes with maximum takeoff weights

(Continued on the following page)

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STATUS OF AIRPORT & AIRWAY TRUST FUND
20X8103
MARCH 31, 1986

	CURRENT MONTH	FISCAL YEAR TO DATE
I. BALANCE - BEGINNING OF PERIOD	$ 7,798,346,262.87	$ 7,425,506,743.43
II. RECEIPTS:		
A. Excise Taxes (Transferred from General Fund):		
Any liquid fuel except gas	2,453,000.00	38,284,000.00
Tires used on aircraft	0.00	0.00
Tubes used on aircraft	0.00	0.00
Gasoline		
1. Commercial 9 cents tax	225,000.00	1,350,000.00
2. Non-commercial 9 cents tax	6,055,000.00	19,333,000.00
3. Non-commercial 3 cents tax	1,981,000.00	6,286,000.00
4. Transp by air,seats,berths,etc.	175,629,000.00	1,148,029,000.00
Use of international trav fac	5,790,000.00	40,727,000.00
Transp of property and cargo	-5,302,000.00	61,541,000.00
Total Tax Receipts	186,831,000.00	1,315,550,000.00
B. Less Reimbursement to General Fund - Refund of Taxes and Estimated Tax Credits :		
1. Civil aircraft	0.00	-471.00
2. Any liquid fuel except gas	0.00	-6,193,136.00
3. Gasoline -Retailer's tax	0.00	-1,790.00
4. Gasoline -Manufac. tax	0.00	-43,770.00
Total Reimburse For Tax Refunds	0.00	-6,239,167.00
Net Tax Receipts	186,831,000.00	1,309,310,833.00
C. Interest on Investments	556,528.73	407,903,469.67
Net Receipts	187,387,528.73	1,717,214,302.67
III. EXPENDITURES :		
A. Federal Aviation Administration :		
1. Operations	54,285,690.00	420,346,665.34
2. Grants-in-aid for airports	44,835,845.58	443,929,972.54
3. Facilities & equipment	79,768,916.77	351,820,841.53
4. Research engineering & development	36,564,991.13	149,345,713.57
B. NOAA weather services	6,999,450.00	13,998,900.00
C. Interest on Refund of Taxes	0.00	55.00
Total Expenditures	222,454,893.48	1,379,442,147.98
IV. BALANCE - END OF PERIOD	7,763,278,898.12	7,763,278,898.12

ASSETS :		
Undisbursed Balances:		$
Airport & Airway Trust Fund	841.79	
Operations	-4,665.34	
Grants-in-aid for Airports	2,565,154.22	
Facilities & Equipment	7,867,442.83	
Research Engineering & Development	1,096,024.62	
NOAA weather services	1,100.00	
		$ 11,525,898.12
Investments :		
U.S. TREASURY CERTIFICATES OF INDEBTEDNESS:		
10-1/4% maturing JUNE 30, 1986	$ 159,166,000.00	
10-3/8% maturing JUNE 30, 1986	182,369,000.00	
10-3/4% maturing JUNE 30, 1986	7,410,218,000.00	
		7,751,753,000.00
Total Assets		7,763,278,898.12
LIABILITIES:		0.00
EQUITY:		
Excess of Assets over Liabilities		$ 7,763,278,898.12
Total Liabilities and Equity		7,763,278,898.12

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